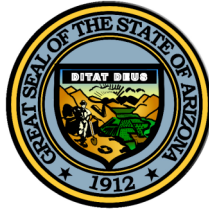


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## **Terry Goddard Applauds Surrender of Financial Fugitive**

(Phoenix, Ariz. -- July 2, 2008) Attorney General Terry Goddard applauded the surrender today of Samuel Israel, a fugitive convicted in a massive securities fraud which the Arizona Attorney General's Office helped uncover in 2005.

Israel, 48, turned himself into federal authorities in Massachusetts this morning. He had disappeared almost a month ago when he was to report to a federal prison to begin serving a 20-year sentence. Israel had sought to create the belief that he had taken his own life with the message "suicide is painless" written in the dust of his car's windshield.

Israel was convicted of directing a \$400 million fraud of the Connecticut-based Bayou Hedge Fund, which he managed as CEO. The fund collapsed shortly after the Arizona Attorney General's Office made a \$100 million seizure from a Wachovia Bank account after an investigation indicated the money might be involved in a complex financial fraud.

The seizure still ranks as the largest forfeiture case in Arizona history. The money was placed in the Arizona Treasury, where it earned \$6.5 million in interest before the entire amount was returned to victims in 2006.

"I'm proud of the heads-up role my office played in this fraud and glad to see the man most responsible finally behind bars," Goddard said. "Our attorneys and investigators acted quickly after they identified a sophisticated fraud scheme, and because of their alert work, we were able to make a record seizure and return \$106 million to victims in this case."

According to court documents, the Bayou Hedge Fund had been losing money since its inception in 1995. Israel attempted to cover up the losses by creating a phony auditing company which reported impressive profits despite actual losses. At his sentencing in federal court in April for securities fraud, he was ordered to forfeit \$300 million in addition to receiving the prison term.

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